

TRIP REPORT:
APRIL 1-9, 1996
TIRANA, ALBANIA

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COMPETITIVE WATER UTILITY MANAGEMENT

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Brief Summary of Relevant Legislative Developments in the Water and Sanitation Sector

Each of the relevant pieces of legislation affecting the water and waste water sector (e.g., the Concession Law, the Water Resources Law, the enabling legislation for the Water and Waste Water Regulatory Commission, etc.) were reviewed and approved by the Council of Ministers, packaged for consolidated review by the respective Parliamentary Commissions, and then enacted *en bloc*. This approach had both benefits and deficits. The benefits were that all of the relevant legislation has now been officially enacted and has the stature of legislation in force. The adverse consequence is that some of the language in each piece of legislation may overlap or could be considered contradictory in language to provisions incorporated into other valid laws. The remedy for this problem is relatively simple, requiring review and preparation of recommended codification and reconciliation amendments, none of which are fundamental or basic. A difficulty is that under the Albanian Constitution, the National Assembly has effectively dissolved at this time, in anticipation of the elections. The modest corrective legal clean-up should therefore be scheduled sometime after the elections, following the convening of the new Parliament and after it becomes known whether Minister Shehi remains or if a successor assumes leadership of the Ministry.

An example of the problem caused by the sweeping passage of so many laws and decrees and their possible impact on our project can be illustrated in the solid waste sector. I was informed by the Regulatory Task Force Manager of a piece of legislation which was approved (reportedly one of 30 acts passed in one hour) that drastically changes the way in which tariffs for solid waste management services are set and enforced. The new law increases the floor for tariffs at 20-25 times the previous rate (which is a good thing, in that solid waste services and cost recovery are now linked), but provides for a mechanism to allow third parties to collect the revenue (while this is a good development in theory, the process through which those contracts are to be awarded must be stringently regulated to ensure competition—something not explicitly spelled out in the new law). Currently, solid waste bills are included in the customer's power bill and administered by KESH, the Albanian Power Company. Reportedly, this arrangement has advantages administratively and the collection rate for solid waste services is far higher than water.

However, as in the water sector, the new legislation has and will have an impact on future regulatory actions and—most urgently—future private sector-led proposals to invest in and operate solid waste management facilities. There are several other direct and indirect examples of legislation and decrees which need to be reviewed in order to determine their harmony or conflict with the Regulatory Act and the Corporatization/Privatization Project Design.

As reported above, the legislation that USAID-sponsored consultants drafted in coordination with members of the Regulatory and Privatization Task Force passed and is now law.

***Summary of Future Priorities and Estimates of Technical Assistance
in the Infrastructure Regulation and Privatization Project***

This trip report is an outline of priority action steps developed in consultation with Steve Swanson, Edi Joxe, Luiza Konomi (Director of the Regulatory Task Force), and Arben Demiri (Director, Privatization Task Force). (The action plan is attached as Annex A.) The proposed action steps are specific and consistent with the goals of the project: to develop a regulatory framework and institution in the water and sanitation sector, while, supporting and coordinating the design and implementation of pilot privatization projects in the water sector.

The report also including an action plan for the solid waste management sector (see Annex B). While some of the initial actions under this project will be overseen by the original Eastern European Regional Housing Project (EERHP) private sector contract, the ongoing progress and future priorities of technical assistance required by the Ministry in this sector need to be known by UI for coordination purposes with the CEE II contract. The solid waste action plan was developed in coordination with Steve Swanson and he is aware of the needs of the Ministry, the status of the program, and his role in managing the process.

The consultants and the task forces believe that the priority next steps should focus on initiating one task under each task force workplan. The priority task under the World Bank coordination/corporatization workplan would be the Corporatization of Tirana and other priority enterprises as requested by the Ministry. The regulatory workplan action would be the operationalization/establishment of the Water and Sanitation Regulatory Commission. Each of these priority action items are summarized below:

World Bank Coordination: Corporatization of Tirana and Other Priority Water Enterprises

The scope of work for this activity includes:

- Review enacted version of Corporatization Law affecting water enterprises, to confirm that shared Ministry of Construction/Ministry of Finance formulation prevailed.
- Complete corporatization process, initially for Tirana and Durres, regarding:
 - Valuing assets; creating a starting balance sheet and a financial budget for first year;
 - Naming respective Boards of Directors;
 - Drafting an initial corporate charter; and
 - Designation of the first General Manager(s).

- Design and initiate training program for:
 - Water Enterprise Boards of Directors; and
 - Water Enterprise General Managers.
- Roll-out corporatization to water enterprises in at least two or three smaller cities (e.g. Korca, Elbasan, Fier, etc.).

Regulatory Framework: Operations and Establishment of WSSRC

IP3 believes that corporatization engagement should be performed simultaneously with the priority activity expressed by Regulatory Task Force Director Luiza Konomi: operationalizing the Regulatory Commission.

The scope of work for this activity includes:

- Develop initial rules and regulations (“foundation documents”) for the Regulatory Commission, enabling it to:
 - Name its Chairman and Executive Director;
 - Appoint *ad interim* administrative staff;
 - Establish initial year financial budget and arrange for its funding;
 - Develop detailed staffing plan and job descriptions for professional staff; and
 - Develop by-law for commission.
- Design and initiate training program for Core and staff, to include, *inter alia*:
 - Basic operating rules and procedures;
 - Financial management practices and tariff-setting functions, related to monitoring and enforcing performance standards and assuring compliance; and
 - Confirming service delivery to customers based on agreed standards.

As discussed with Steve Swanson in the field, efforts should be made to limit the number of consultants per trip (per task) to no more than two. This has been IP3's policy in Albania and is based on our observation of the absorptive capacity of the technical staff at the Ministry. There are simply too few technical and senior staff for consultants to work with at the Ministry, enterprise, and municipal level. Moreover, our experience in Albania has taught us that teams configured to provide continuity, rather than concentration, allow a regular presence and give the Resident Infrastructure Advisor more technical support. Keeping this principle in mind, but being mindful of the need to have these tasks performed together with some technical overlap, a three-person team is proposed for a three-week level of effort, staggered accordingly as follows:

Corporatization and Governance Specialist [Phil Giantris] May 20-June 7, 1996

Legal and Regulatory Specialist [Mark Belcher]	May 13-31, 1996
Regulatory Operations Specialist [David Jankovsky]	May 13-31, 1996

Both Giantris and Belcher would be returning after each having performed several assignments in Albania: both were directly involved with drafting the enabling legislation which they would now assist in implementing. David Jankovsky, a new nominee, is a hands-on senior executive at the Arizona Corporation Commission (the State regulatory agency for all utilities) with international experience on regulatory issues. Jankovsky would provide the new skills called for in this next stage of creation of the National Water and Sanitation Regulatory Commission Albania. All three candidates represent the essence of the approach and conceptual design that was emphasized during the observational study tour, that is to legitimize by actual operations, the policy and approach we have been urging the Albanians to adopt.

Level of effort would be three persons times three person-weeks, or a total of 9 person-weeks for this first follow-on field engagement after the study tour. Starting date would be on/about May 13 to June 7. We believe it is crucial to continue the momentum of the Regulatory Commission and corporatization effort during this period of run-up to the elections, so that whoever assumes executive leadership will have under his/her purview an on-going privatization and regulatory function that has been sustained and is kept in coordination with the World Bank consulting activities.

ANNEX A

ACTION PLAN FOR THE CORPORATIZATION AND REGULATION OF ALBANIA'S WATER AND SANITATION SECTORS

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ACTION PLAN FOR THE CORPORATIZATION AND REGULATION OF ALBANIA'S WATER AND SANITATION SECTORS APRIL-DECEMBER 1996

Goals

The goals for this action plan are straightforward: The Water Supply and Sanitation Regulatory Commission (WSSRC) needs to be fully operational by 1997. It is anticipated that by early 1997, the Commission would be actively regulating public and private providers of water supply, wastewater, and solid waste management services. Commission activities would include such functions as: awarding licenses, concessions, leases, contracts, etc.; regulating prices/tariffs, overseeing compliance with contractual terms regarding environmental and technical standards, quality of service, and consumer access/participation; and participating in policy dialogue (with relevant bodies) in the development of an appropriate "market structure" for the water and sanitation sectors.

In order to be functioning effectively in 1997, and to ensure that the privatization of water and solid waste services is developed within a viable regulatory framework, significant preparatory, institutional development, organizational, and implementation work must be undertaken, commencing immediately. It is envisaged that the regulatory commission would begin operations during 1996 with a "core" technical secretariat and Board. Its principal mobilizing activities would involve:

- Developing organizational identity, legitimacy and viability;
- Establishing administrative and technical procedures and staffing functions;
- Conducting preparatory work on the legal, economic, and financial aspects of the pilot privatization projects in the water and solid waste sectors;
- Developing technical capacity amongst the secretariat and Board membership; and
- Initiating public awareness and education efforts to promote cooperation in the regulatory area.

The proposed activities set forth in this report represent a refinement and validation of the Action Plan developed at the end of March by the Albanian Ministry of Construction privatization and regulation working groups, who participated in a two-week observation study tour in the United States, which was organized and conducted by the Institute for Public-Private Partnerships (IP3), under the coordination and direction of prime contractor Urban Institute. Validation and refinement of this Action Plan was concluded during a short consultant assignment conducted in Tirana, Albania, by IP3 Group Director Matthew Hensley from April 1 to April 9, 1996, with guidance and coordination provided by the Urban Institute Resident Infrastructure Advisor, Steven Swanson.

Within this context, the overall goals for this action plan could be defined as:

- To mobilize and operationalize the WSSRC as soon as possible;

- To create the initial conditions for establishing an "investor friendly" regulatory climate, supportive of private participation in the water, wastewater, and solid waste sectors;

- To effectively regulate all parts of the water/sanitation sector where regulation is needed. Said regulation will include: setting performance standards, establishing monitoring and enforcement procedures, and assuring service delivery to consumers (ensuring competition);

- To establish a regulatory regime that is compatible with ongoing water and sanitation sector reform and restructuring (World Bank coordination); and

- To develop an independent, financially self-sufficient, regulatory institution that can serve as a model for other utility sectors (institutional development).

Regulatory and Water Privatization Program Action Plan Recommendation

In support of these objectives, and to help carry out the Action Plan, the relevant parties need to mobilize resources of local, short-term, and resident consultants to help assure timely completion of critical actions during the period of April-December, 1996. Progress made before June elections is a priority for the Ministry as well as progress to keep pace with the World Bank-funded consultancy.

Individual engagements under this task order will be requested by MOCT, with IP3/Urban Institute response, or initiated by IP3/Urban Institute, and will be subject to review and authorization by the Urban Institute Resident Infrastructure Advisor in Tirana. The Infrastructure Advisor will schedule call forward dates according to the flow of events and his assessment of the preparedness of the MOCT to receive and work with the consultants. Illustrative levels of effort are indicated herein, as deemed by IP3 to be necessary to perform the scopes of work in these respective engagements (note: the Infrastructure Advisor may consolidate specific tasks, or divide others into separate components based on sound management considerations).

A variety of tasks are facing the Regulatory and Privatization Task Forces. For purposes of clarification, these tasks are classified into three categories:

- World Bank Coordination and Contract Monitoring (WBC);
- WSSRC Administrative and Financial Operations (AFO); and
- Legal and Regulatory Framework (LRF).

Activities will be conducted under the three categories in phases. Each activity will be undertaken with the participation of a counterpart member of the Regulatory and privatization task forces(s).

The milestones and activities are divided into two areas: Privatization and regulatory milestones and are presented in chronological order based on "critical path" assumptions.

■ **Privatization Activity (WBC): Corporatization of pilot enterprises.** Conduct operational review of legislation authorizing Tirana, Durrës, and regional water enterprises in selected major cities for corporatization. Conduct corporatization of selected water enterprises and prepare chart of accounts, by-laws, etc. for valuation and for pilot roll-outs. Corporatization to include: initial valuation of assets to create a starting balance sheet and financial budget for year one; naming boards of directors; drafting initial corporate charter; and establishing the first general manager.

Proposed field visit: May/June (1 person x 3 weeks = 3 person-weeks)

■ **Regulatory Activity (LRF): Review and amend legislation.** Rationalize and harmonize legislation affecting regulation and privatization in the water and solid waste sectors. Review, amend, and reconcile all current legislative enactments; where required, draft new legislation deemed necessary to accelerate and strengthen initiatives in the sector. Legislation for review may include tax law, labor law, water resources law, etc.

Proposed field visit: May/June (1 person x 2 weeks = 2 person-weeks)

■ **Privatization Activity (WBC): Oversight team and coordination plan.** Assist the evaluation committee in finalizing selection of the World Bank consultants for the privatization study. Develop an MOCT Oversight Team and establish procedures to monitor, manage, and coordinate the work of the World Bank consultants during the first six months of the year.

Proposed field visit: June (1 person x 1 week = 1 person-week)

■ **Regulatory Activity (AFO): Foundation documents.** Drafting and refinement of foundation documents for the Regulatory Commission. Prepare by-laws and prepare corporate charter.

Proposed field visit: May/June (1 person x 2 weeks = 2 person-weeks)

■ **Regulatory Activity (AFO): Budget and revenue plan.** Develop for the Ministry of Construction and Tourism a draft budget for provision for the WSSRC in the 1997 budget. Initiatives to be undertaken will include identifying and allocating various potential sources of revenue for WSSRC, e.g., fees, charges, World Bank grant, etc.

Proposed field visit: May/June (1 person x 1 week = 1 person-week)

■ **Regulatory Activity (AFO): Establish operations and personnel.** Provide institutional development support, by assisting MOCT in appointing the Secretariat, Chairman and WSSRC Board Members. Assignment will call for consultant to:

- Define qualification criteria, duties/job description of the Chairman, Board Members, and secretariat staff, ensuring appropriate delegations of authority;
- Appoint search committee of respected and experienced individuals (public and private) to develop short-list of qualified candidates for each category for consideration by the Minister of Construction and Tourism, leading to nomination and approval by Council of Ministers/Parliament;
- Appoint core staff Secretariat;
- Appoint Chairman and Board Members;
- WSSRC to recruit and hire "core" skeleton administrative and technical staff;
- Conduct training programs for secretariat, Board Members, and key stakeholders and actors in the government;
- Develop detailed funding proposals, including *pro forma* annual budget, based upon projected grant finance and revenue projections, for MOCT to lead towards self-sustaining financial operation; and
- Develop functioning operational procedures with core operational staff, including staffing plans contemplating moderate rate of expansion to meet growing functional requirements over time.

Proposed field visit: May/June, August/September (1 person x 4 weeks = 4 person-weeks).

■ **Privatization Activity (WBC): Privatization design/regulatory fit.** Establish a policy and program enabling WSSRC oversight of the privatization design (being performed by the World Bank Consultants) and implementation of pilot privatization effort. Determine varying regulatory procedures to reflect likely alternative privatization outcomes.

Proposed field visit: August/September (1 person x 2 weeks = 2 person-weeks, in addition to on-going input from Resident Advisor).

■ **Privatization Activity (WBC): Identification of roll-out options.** Develop privatization options for five Albanian cities.

Proposed field visit: September/October (1 person x 4 weeks = 4 person weeks)

■ **Regulatory Activity (AFO): Regulatory procedures.** Assist WSSRC to develop a schedule for step-by-step assumption of regulatory functions and operations, consistent with the privatization schedule.

Proposed field visit: July/August, on-going (Resident Advisor responsible).

■ **Regulatory Activity (AFO): Financial techniques of regulation.** Assist WSSRC to select key regulatory instruments for each function, e.g. licenses, generic rules, and entity-specific tariff/price setting.

Proposed field visit: June/September, on-going (1 person x 2 weeks = 2 person-weeks)

■ **Regulatory Activity (AFO): Administrative procedures.** WSSRC to determine administrative procedures and basic regulatory standards in each sector/enterprise. Procedures will include due process, trial hearings, rate cases, appeals, etc.

Proposed field visit: June-December, intermittent (1 person x 3 weeks = 3 person-weeks)

■ **Regulatory Activity (AFO): Licenses.** WSSRC to develop licenses for each category of regulated activity as WSSRC. Models then actuals.

Proposed field visit: September-December (1 person x 2 weeks = 2 person-weeks)

■ **Regulatory Activity (AFO): System and standards of accounting.** WSSRC to develop a uniform system of accounts and accounting standards for all categories of regulated entities. WSSRC conducts training programs for financial officers of pilot water enterprises: Tirana, Durres, Elbasan, Fier, etc., on accounting standards, methods, and uses to enhance uniformity and awareness.

Proposed field visit: June-August (1 person x 2 weeks = 2 person-weeks)

■ **Regulatory Activity (AFO): Financial regulation of pilots.** WSSRC to develop comprehensive set of financial regulatory analyses on price cap regulation in anticipation of pilot privatization parameters. Develop financial models and methods for setting and evaluating rates.

Proposed field visit: October-December (1 person x 2 weeks = 2 person-weeks)

■ **Regulatory Activity (AFO): Dispute resolution.** WSSRC in consultation with other legal agencies/etc. to develop international dispute resolution mechanism and define stakeholder rights and procedures for external dispute resolution.

Proposed field visit: October-December (1 person x 1 week = 1 person-week)

■ **Regulatory Activity (AFO): Reporting procedures.** WSSRC to develop standard reporting requirements for all categories of regulated entity and procedures for obtaining data from regulated entities as needed for effective regulation. Develop other necessary data formation mechanism.

Proposed field visit: None (Resident Advisor responsible)

■ **Regulatory Activity (AFO): Policy coordination.** Develop a mechanism for policy coordination between WSSRC and the Environmental Committee, and the National Water Council on overlapping matters in the water sector.

Proposed field visit: None (Resident Advisor responsible)

■ **Regulatory Activity (AFO): Start operations and reporting.** WSSRC to develop a process for the preparation and timely submission of regular reports to Government and Parliament on progress in the water sector and the WSSRC activities and planned activities for the next year, including financial reports and budget.

Proposed field visit: November-December (2 persons x 4 weeks = 8 person-weeks)

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Total level of effort for 1996 (or until completion of World Bank Privatization Project) for regulatory and corporatization advisory services: 39 person-weeks.

ANNEX B

ACTION PLAN FOR THE CONTINUED PRIVATIZATION OF ALBANIA'S SOLID WASTE SECTOR

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ACTION PLAN FOR THE CONTINUED PRIVATIZATION OF ALBANIA'S SOLID WASTE SECTOR

Consolidating Achievements and Addressing the Challenges

This workplan builds on the work performed and progress achieved since the solid waste management/privatization project commenced in 1994. Since that time, several milestones have been achieved including:

- A legal and regulatory framework established to promote private sector participation and efficiency in the solid waste sector through: the law on concessions; regulation; and solid waste management and pricing;
- Development of environmental ordinances and standards that prohibit illegal collection and disposal, and require sanitary practices on the part of consumers and industry alike;
- Over 100 officials and managers trained on all aspects of solid waste management, environmental management, and public-private partnerships in the solid waste sector;
- Completion of two pilot privatization contracts in the City of Tirana and establishment of contract monitoring team; and
- Identification and tender of Pilot Projects in Durres and Korca, using standardized tender documents and model contracts.

However, the progress established in reforming, improving, and decentralizing solid waste services in Albania, must be consolidated to overcome obstacles threatening roll-out and performance. Some of these obstacles are related to the natural process of mobilization, while others are clear institutional weaknesses. In brief, problems encountered by the proponents of an effective solid waste management program in Albania can be summarized as outlined below.

Problem 1

City of Tirana Contracts: Limited Capacity to Monitor and Enforce Terms of Contract

Remarkably, the City of Tirana has concluded two private contracts for two separate sectors (halves) of the City. As is well known, the contracts are the first form of privatized municipal service (along with district heating fuels) in the country. While the contracts are not cheap, primarily due to a lack of an effective bidding procedure, the quality, scale, and scope of service *required* is vastly improved over previous arrangements. However, several months into the first year of a five-year contract, both the Austrian/Albanian private contractor and the Italian/Albanian contractor are providing service with little or no project supervision and oversight. The result, allegedly, is that the Italian contractor, NOVOECOLOGIA, is "slacking off," i.e., is not offering the quality and quantity of services required to perform under the terms of the contract. Some criticisms made by consumers include:

- Slow mobilization and delayed 100 percent coverage of contracted area;
- Inconsistent and "soft" collection services not reaching all households;
- Inadequate deployment of containers and replacement of same; and
- No visible public participation and awareness plan to increase citizen involvement.

While these complaints have not been formally documented (this cannot be confirmed, as the contract stipulates that the contractor must inform the municipality about complaints received), it is generally felt that the level of service is not meeting the standards contracted. All relevant parties agree that the problem lies primarily at the hands of the government authorities who are supposed to provide regulatory and monitoring oversight. The contractor is invoicing monthly and has not had its performance measured, monitored, or evaluated against the very specific terms of its contract.

The issue of capacity is more complicated than it appears. The City of Tirana is supposed to be provided with technical support from the solid waste department at the Ministry of Construction and Tourism. The city's staff is not qualified to evaluate compliance at this time, and—exacerbating the situation—has suffered from heavy staff departures (including the Director) during the past two months. The Ministry is extremely concerned because the commitment to privatize solid waste services is intended to demonstrate, *de minimis*, a significant elevation of service quality, which, in turn, will be necessary precedes the successful "roll-out" of solid waste contracting anticipated in Durres, Skodra, Fier, Korca, etc., as that step relies on an effective contract experience in Tirana. The Ministry recognizes that the consultants' contract monitoring plan has not been actively utilized by the Municipality and that the monitoring team (a consultant, a Ministry official, and a municipal official) must conduct a formal performance evaluation of the contractor as required in the contract.

By several accounts, the Austrian/Albanian firm SABERMACHER, which was awarded the second contract for the other half of the city, has mobilized and performed far more effectively than the Italian firm. Even so, no formal or informal monitoring of SABERMACHER's mobilization has taken place. It cannot be confirmed if they brought the required number of garbage trucks, deployed the required number of containers, are collecting solid waste satisfactorily, or are disposing at the landfill as required by contract and law. All the city and/or the Ministry know is that the "Austrian" half of the city is cleaner than the "Italian" half. In both cases, without effective, formal, and regular contract monitoring audits, the usefulness of privatized collection is diminished. The city and the Ministry are paying a market price for theoretically higher levels of service. The inability to enforce contractor compliance coupled with the regular payment of invoices without any correlation between performance and payment is unacceptable. Complicating this, is the arrangement whereby the municipality is responsible for collection of solid waste user fees/taxes. Recent new legislation introduced raising solid waste tariffs/taxes to a more realistic level (differentiated between family, kiosk, hotel, etc.) Is a positive step, but underscore the importance of contractor compliance. Why should citizens pay a higher tariff if the service delivered by the private contractor is not dramatically better than that performed by the old department?

Both contractors are in the first year of five-year contracts. This is the time to develop and implement not just a Contract monitoring plan, but to *enforce* it with a *performance audit*. Both contractors should be subject to the audit as per the terms of their contract. Any delay on the part of the municipality or the Ministry will surely worsen the situation and increase the likelihood for either: a consumer revolt against the increase in solid waste tariffs in Tirana and later nationwide; and/or a major confrontation with the private contractors well into the contract period when the city/Ministry has less leverage and the contractor is less concerned about investment risk and performance. IP3 cannot urge more strongly the need to support the municipality/Ministry in conducting the performance audit as soon as possible.

Problem 2:***Limited Capacity to Support Roll-Out of Private Contracting***

USAID consultants have assisted the cities of Durres and Korca prepare contracting bid and tender documents and have provided preliminary training to Municipal staff on project preparation, procurement, environmental management, etc. During the last few months the Municipality of Durres has received three bids from private consortia and has selected a private contractor with whom they are soon to begin contract negotiations. Korca, which issued its bid request for proposal (RFP) at a later date, has received three (or more) private bids and is prepared to evaluate the bids, select a contractor, and prepare a model contract. In both cases, the Municipalities have and will be using standardized documents (RFPs, model contracts, etc.) developed by the Ministry (consultants) on behalf of the municipalities.

However, in both Durres and Korca, the support expected from the Ministry of Construction in assisting municipal staff in bid evaluation, contract negotiation, and the development of a contract monitoring plan has not been sufficient. This is also true in the other cities that have been encouraged by the Ministry and by law to initiate tenders for solid waste collection/disposal, such as Fier, Vlora, Elbasan, etc. In all cases, municipal officials have requested support from the Ministry of Construction and Tourism to initiate solid waste contracting efforts. In most cases, Municipal staff are prepared to collaborate with technical staff in the preparation of project scopes of work, request for proposals, etc.

In fact, in a recent discussion with Richard Macewan of the World Bank, who is in Tirana conducting a social assessment in five Albanian cities for water and sanitation projects, Macewan stated, "Interestingly, of the five cities surveyed—Fier, Skodra, Elbasan, Vlora, Korca—citizens responded that the biggest urban problem/complaint they face is the deterioration of solid waste services and its impact on their quality of life."

For the municipal officials of these cities, that concern will intensify once the new Law on Tariffs comes into effect. The new law, passed on the last week before Parliament was dissolved March 29, increases solid waste tariffs to residential and commercial users approximately 20 times. Additionally, the new law also allows for alternative sources of billing and collection, such as service contracting. The new law supports yet complicates the economics of public-private partnerships in solid waste management services in Albania, as it

reduces the subsidy provided by the government for services, yet must be carefully implemented so as not to support inefficient projects, operators, or systems.

Municipal staff in the targeted cities originally selected for "roll-out" still lack capacity to prepare and implement contracting programs, and require assistance from specialists at the Ministry of Construction. This is especially salient given the recent legislative and financial changes in the sector. At the same time, the Ministry must be responsive to requests for technical support by municipalities that have initiated solid waste contracting programs at the Ministry's insistence. Momentum, credibility, and viable projects are at stake.

Problem 3:

***Ministry of Construction and Environmental Committee
Lacks Capacity to Identify and Evaluate Solicited and Unsolicited Proposals***

One bottleneck facing MOCT staff which was illustrated during the City of Tirana contract negotiations, is the lack of capacity on the part of MOCT staff to identify, analyze, and evaluate project proposals. This has led to either the rejection of possibly viable projects on unscientific grounds, or, more commonly, the acceptance, at least preliminarily, of inviable, expensive, or inappropriate projects. MOCT staff require support in evaluating and analyzing project proposals in the solid waste management sector such as proposals for collection, landfills, and other environmental infrastructure projects.

This is especially relevant given the passage of the new Law on Concessions which includes public-private partnerships in infrastructure in general, and environmental projects in particular. Under the law, both solicited and unsolicited projects require prompt and thorough analysis on the part of the appropriate authority for acceptance, rejection, or further review. The result has been several unsolicited projects proposed to the Ministry (or municipalities) requiring analysis before issuance of a letter of intent, memorandum of understanding, or notice to reject. Due to the political climate and timing in Albania, there is ample pressure on technocrats in the bureaucracy to show results in the environmental sector. There are legitimate concerns that inappropriate yet tantalizing projects may be approved without sound and rigorous analysis, restructuring, or competitive bidding. The Ministry is currently assessing several investment projects in the solid waste sector and requires technical support and training as this sector grows in importance and viability to private investors and operators.

One example of this phenomenon is illustrated by an Italian/Albanian proposal to develop and operate a regional landfill for Durres, Tirana, and Kavaja. The bidder, represented by the U.S. law firm White and Case, has submitted a very detailed proposal to the Ministry and is prepared to invest significant capital in the project. The Ministry lacks the technical and financial capacity to validate the technological merit and financial implications of the proposed project, and to offer, if relevant, counterproposals for modification or negotiation.

Part of the vision of the Solid Waste/Privatization Project, has been the development of pilot projects, and landfills have been identified as a compelling and important area to pursue for environmental, efficiency, and opportunity reasons. Assisting the Ministry evaluate and identify other landfill projects should be a priority and integrated into the other projects as capacity is developed.

Solid Waste Action Plan Recommendations

To consolidate project accomplishments, develop institutional capacity, and leverage tangible results (trained staff, new legislation, projects tendered, contracts awarded, etc.), technical support to the MOCT and associated solid waste cells is required. As always, the project envisages very modest inputs of technical support using consultants well-versed in the Albanian environmental, economic, financial, and political atmosphere. By using pre-established relationships and the knowledge of several months of effort, small teams of consultants working with the Resident Manager can achieve the following milestones over the next several months (the consultants' work would be streamlined and leveraged by the use of standardized and model documents already prepared. This proposed effort is primarily an implementation effort, as the policy and legal environment is already fostering project activity):

Phase I: City of Tirana Performance Auditing and Durres/Korca Support

- **Tirana**
 - Organize contract monitoring team;
 - Conduct performance audit of NOVOECOLOGIA ;
 - Conduct performance audit of SABERMACHER ;
 - Present findings to contractors; and
 - Develop cure or corrective measures plan.
- **Durres**
 - Prepare contract monitoring plan for Durres; and
 - Assist in contract negotiations and finalize contract.
- **Korca**
 - Assist in bid evaluation;
 - Draft and negotiate model contract; and
 - Develop monitoring plan and assign monitoring team.

Proposed Schedule for Phase I:	April/May
Proposed Level of Effort:	4-5 person-weeks

Consultants: Greg Vogt and Tim Smith

Phase II: Identify and Evaluate New Pilot for Roll-Out

- **Contracting Project Identification**

- Develop project profile/plans for Skodra;
- Develop project profile/plans for Elbasan;
- Develop project profile/plans for Fier; and
- Develop project profile/plans for Vlora.

- **Landfill Project Identification and Evaluation**

- Evaluate unsolicited project proposals for landfills (2); and
- Develop pilot landfill project identification.

Proposed Schedule for Phase II: July/August
Proposed Level of Effort: 4-5 person-weeks
Consultants: Tim Smith and Matthew Hensley

Phase III: Develop Tender Documents for Roll-Out Projects

- Draft tender documents for successful/progressive roll-outs; and
- Draft landfill tender documentation/model contract.

Phase III could be focused on a few or several roll-out projects based on the progress and viability of the initial candidate cities.

Phase III Schedule: September/October
Proposed Level of Effort: Unknown
Consultants: Tim Smith and Greg Vogt